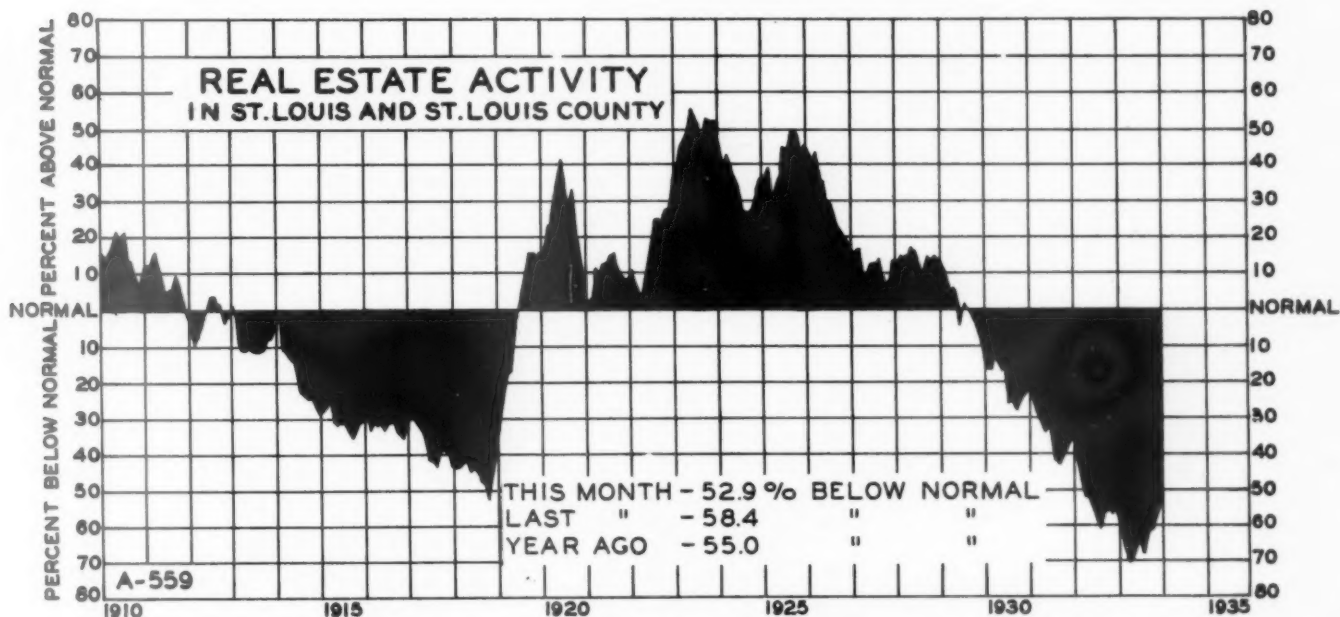




# The Real Estate ANALYST



## THE MONTH AT A GLANCE

**T**HE measured figures for real estate showed a greater improvement during January than they have for any month since 1925. This improvement is very pronounced in Greater Saint Louis and seems to be general throughout the United States.

Real estate activity, as measured by the number of voluntary transfers of real estate in Greater Saint Louis, increased to a point 24.4% above the low point of May, 1933.

Foreclosures continued to shrink at a really remarkable rate all over the country. The monthly vacancy survey made by Real Estate Analysts, Inc., in Saint Louis indicates that more than 8% of the existing vacancies were absorbed during the past month.

The marriage rate resumed its upward course, to the general level of the last quarter of 1930.

New residential building is still at a standstill and rentals continue to drop.

Probably one of the most optimistic signs is the disappearance of distress properties. It is becoming very difficult to list property at the distress prices current a few months ago.

ACTIVITY			FORECLOSURES			CONSTRUCTION			APART. RENT			OTHER RENT			MARRIAGES			OCCUPANCY		
NOV.	DEC.	JAN.	NOV.	DEC.	JAN.	NOV.	DEC.	JAN.	NOV.	DEC.	JAN.	NOV.	DEC.	JAN.	NOV.	DEC.	JAN.	NOV.	DEC.	JAN.
↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑	↑

## THE CONSTRUCTION CODE

**T**HE first chapter of the Code of Fair Competition for the Construction Industry was signed by the President on February first. It will become effective on March second. From that date on all contracts let for construction of all types must comply with the provisions of this code.

The entire Construction Code will contain many "chapters" covering all of the divisions and subdivisions of the industry. Until these chapters are added all construction activity will come under the general provisions of "Chapter I" which is intended to cover the entire industry as a whole. Succeeding chapters may set up conditions for divisions or subdivisions of the industry at variance with the general provisions in this first chapter.

### HOW WILL THIS CODE AFFECT THE HOME BUILDER AND SUBDIVIDER?

The building of roads and sewers as well as the building of homes comes under this code. It is, therefore, essential that the real estate operator be familiar with the provisions which apply to these fields.

### WAGES

Until such time as area agreements can be worked out as described below the minimum for unskilled labor on all types of construction work will be forty cents per hour. In Greater Saint Louis, the minimum for clerical workers in the construction field will be \$15 per week. (In smaller cities the clerical minimum may be lower, depending upon the population of the city.)

If truly representative groups of employers in any division or subdivision of the industry in any region or locality can, after proper notice and suitable hearings, agree through bona fide collective bargaining on hours and rates of pay for occupations in that division or subdivision of the industry, these conditions, when approved by the President, shall be established. (The entire United States may be defined as a region.) Agreements so formed shall not be binding on employees in any other division or subdivision of the industry. Failure of any employer to observe any condition so determined, after being given due notice and opportunity to be heard, shall be a violation of the code. (The maximum penalty set up in the National Industrial Recovery Act is a fine, not to exceed \$500, or imprisonment for not to exceed six months, or both.)

### HOURS

Until such time as area agreements can be worked out as described above no employee shall be permitted to work in excess of forty hours in any one week or eight hours in any twenty-four hour period. This applies to all employees except those engaged in professional, executive, supervisory work, watchmen, emergency workers on jobs involving breakdowns or protection of life or property. By special permission of the National Planning and Adjustment Board (provided for in the code) a forty-eight hour week may be allowed on projects so remote and inaccessible that camps and floating plants are necessary for housing or boarding of the majority of the labor employed, or on such projects when working time has been lost because of inclement weather or unavoidable delays, or on projects in localities when a sufficient amount of qualified labor is not available in the immediate vicinity of the work. Hours for accounting, clerical or office employees are flexible during a four-week period.

**CHILD LABOR** No employer shall employ any person under the age of sixteen years or under the age of eighteen years in any occupation hazardous in nature or dangerous to health. A number of the additional "chapters" which will be signed later will prohibit the employment of persons under eighteen in various divisions and subdivisions of the industry.

**REGISTRATION** The Code Authority is given the power to set up a registration with a fee for all construction work or services of or in excess of \$2000, the fee to be based "on the value of the work or services so registered, but in no case shall the charge be less than \$2.00". These fees will be used to defray the expenses of the administration of the code.

**FORMAL BIDS** The fair trade practices governing the submission of bids are so important that we are reproducing them here in full. While we are in thorough accord with the effort to eliminate unfair bidding practices, there is no doubt but that these provisions will increase building costs. It should be noted that no limitation is put on negotiating a price provided that formal bids are not called for. We think that on smaller jobs "negotiated prices" will prove more satisfactory than formal bids.

## ARTICLE VII: COMPETITIVE BIDDING PRACTICES

### Section 1. -Competitive Bidding Defined.

(a) The term "competitive bidding" as used herein shall mean the submission at or before a definite predetermined time of comparable proposals by two or more invited persons to an awarding authority to execute a specific program of work, furnishing a definite service or supplying a material specifically required for a particular project at a stipulated price. This does not include furnishing quotations on standard products.

(b) The term "awarding authority" as used herein shall mean any member of the industry who may upon competitive bidding award contracts.

### Section 2. -Bid Peddling and Bid Shopping.

(a) The practices commonly known as "bid peddling" or "bid shopping" are recognized as unfair and are prohibited. Bid peddling in effect means the offering by the bidder prior to the making of an award of a substitute bid or price lower than the one originally bid without a commensurate decrease in the requirements of the job. The correction of the abuses resulting from such practice is obtainable by regulation restricting or controlling bidders.

(b) Bid shopping in effect means the effort on the part of the awarding authority to induce a bidder prior to the making of the award to lower his original bid price without a commensurate decrease in the requirements of the job. The correction of the abuses resulting from such practice is obtainable by regulation restricting or controlling the awarding authority.

### Section 3. -Limitation on Bids and Alternates.

(a) Since it is recognized that the preparation of a bid is a service involving an expense to the bidder and that the inviting of an unreasonable number of bids is an economic waste, the awarding authority shall not invite an unnecessary number of bids.

(b) Only a limited number of alternate proposals shall be required in connection with any bid, and no alternate proposal of a bidder shall be considered by the awarding authority, unless the privilege of alternate proposals is extended to all bidders.

### Section 4. -Uniformity of Information.

The awarding authority shall make available uniformly to all bidders, plans and/or specifications or other requisite information which shall be sufficiently complete to enable each bidder to prepare a definite bid in accordance with the regulations herein provided for. He shall prescribe terms of competition which shall insure parity of standing to all bidders.

### Section 5. -Qualification of Bidders.

The awarding authority shall not invite bids from a bidder unless such bidder shall have demonstrated to the satisfaction of the awarding authority that he is competent technically and financially to perform the work, and the ability of a bidder to obtain a performance bond shall not be regarded as the sole test of such bidder's competency.

### Section 6. -Award at Original Price.

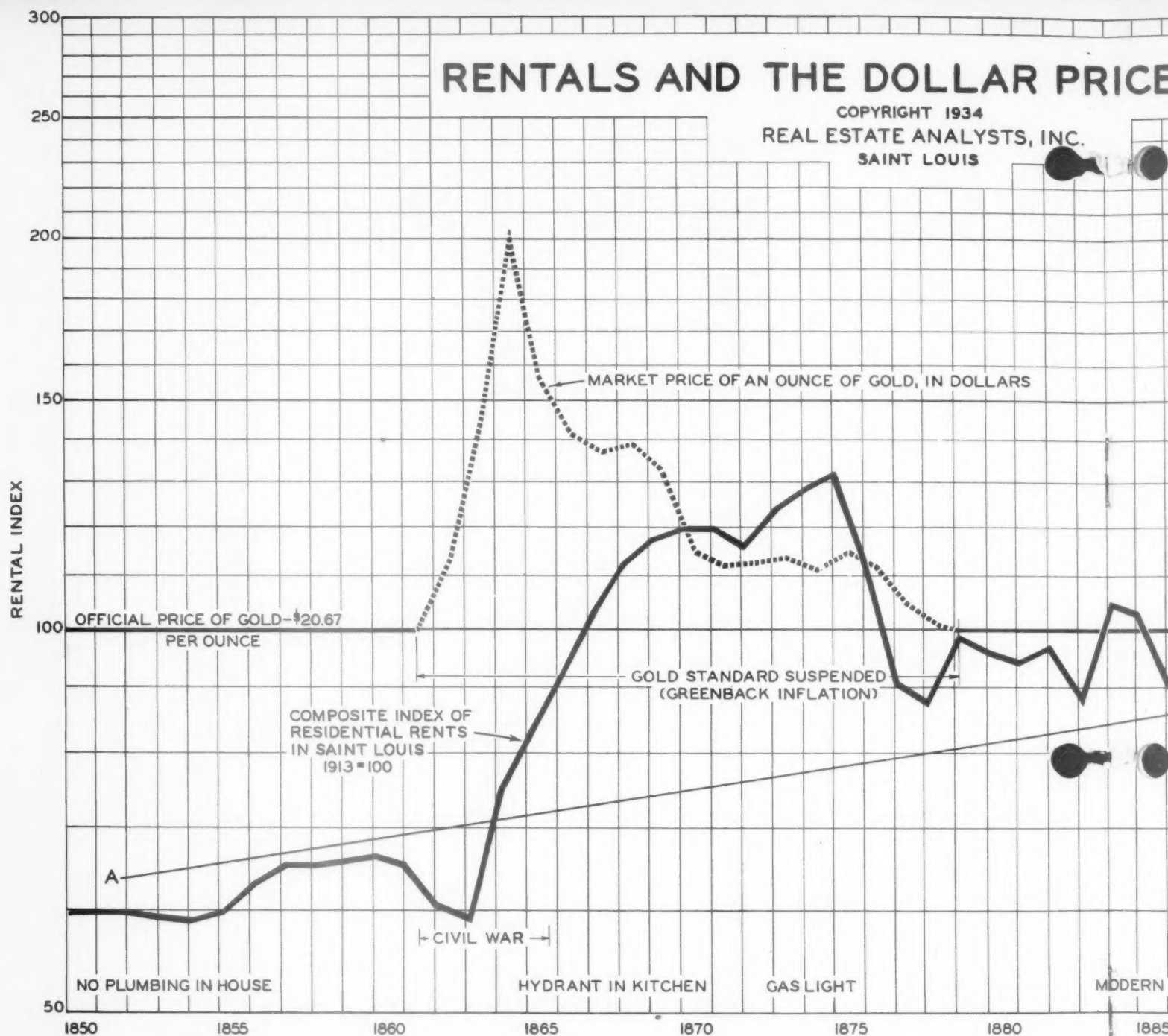
An award if made shall be made at the bidder's original bid price. It is recognized that competition based solely on price is sometimes unfair and accordingly the awarding authority may make an award to a competitive bidder other than the lowest bidder provided the award is made at such competitor's original bid price.

### Section 7. -Receipt of Bids.

The awarding authority shall designate a specific hour and place for receiving competitive bids. All bids to be submitted by subcontractors shall be delivered to the contractor at least 24 hours prior to the time set for the receipt of the bid of said contractor by the awarding authority. Bids received after such time or from uninvited bidders shall be returned unopened. All bids shall be required to be signed by a duly authorized representative of the bidder and enclosed in a sealed

(continued on Page 239)





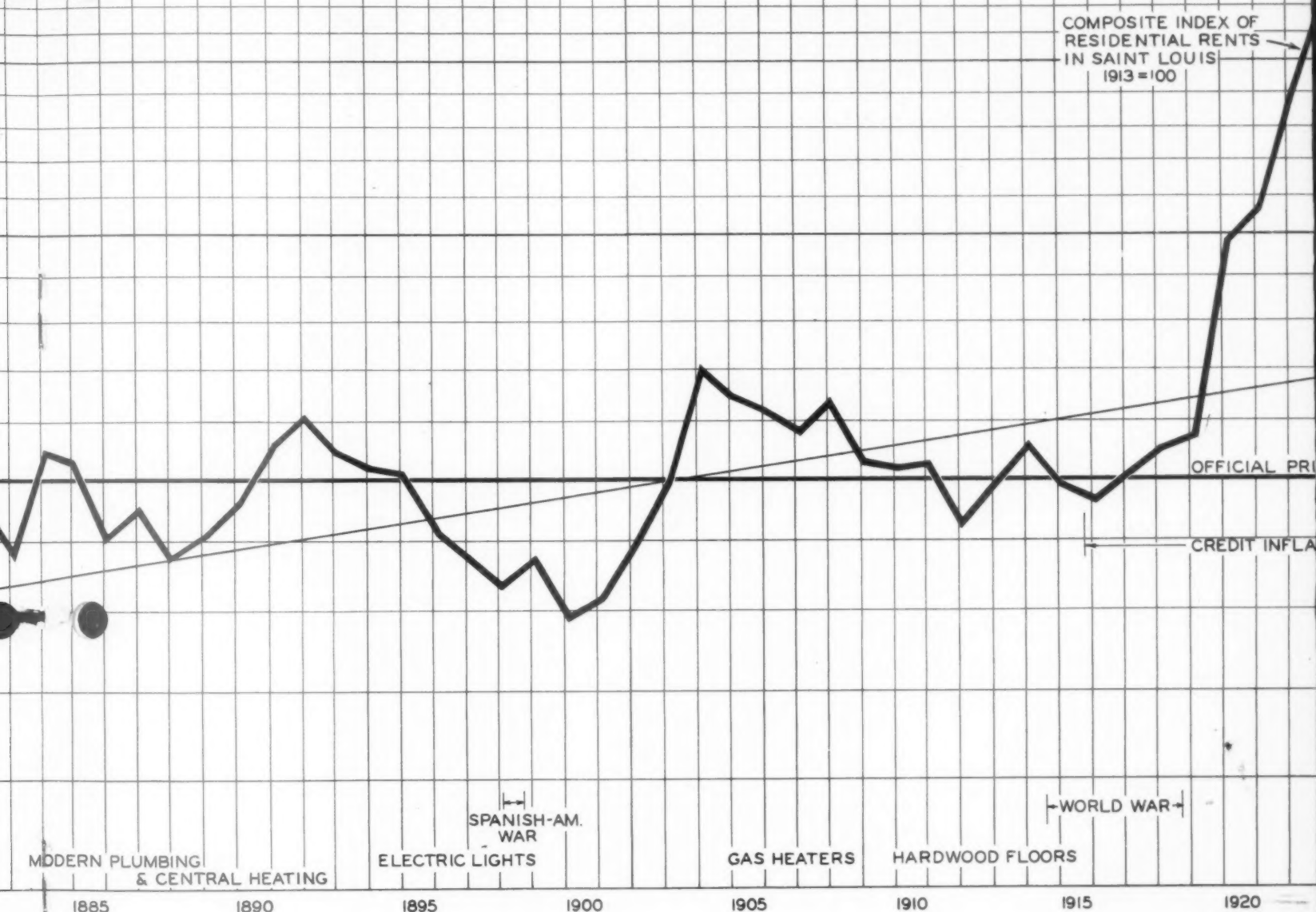
## THE 59-CENT DOLLAR AND REAL ESTATE

**S**INCE revaluation took place we have had frequent inquiries about the effect of the 59¢ dollar on real estate. In an effort to get a clearer picture of its probable effect, we have prepared the long chart shown above.

The heavy line on this chart marked "Composite Index of Residential Rents" shows the relative fluctuations of the average of all types of residential rentals in Saint Louis during the past eighty-four years. It is, we believe, the only index of this kind in the United States.

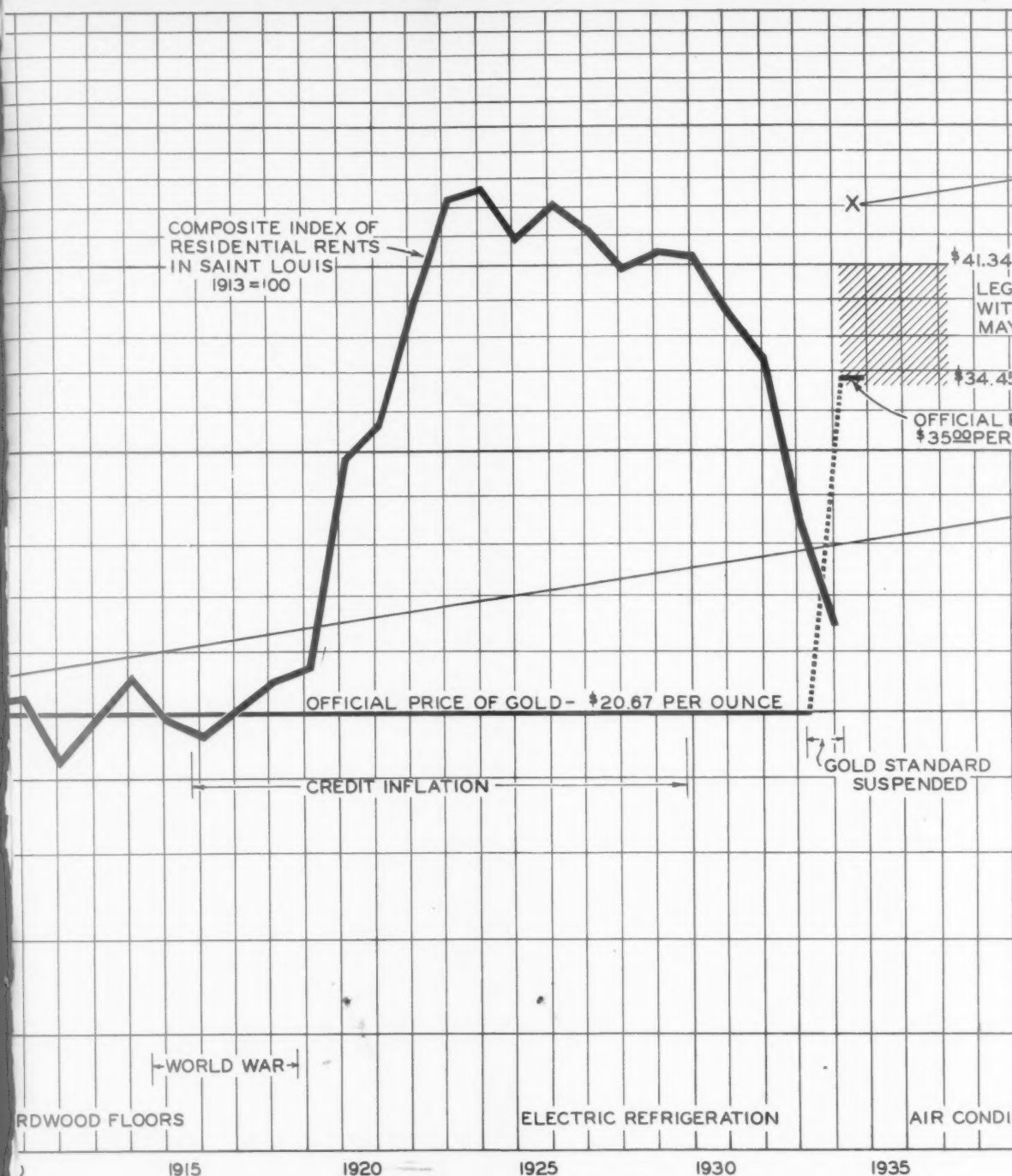
It will be noticed immediately that over the entire period there has been a constant upward trend in rentals. Starting in the lower left hand corner at 59 in 1850 (a boom period in general business, by the way) rentals today, at the bottom of the greatest depression in the history of the United States, are at 116 or almost double the boom rentals of eighty-four years ago. Only once in the entire period have rentals returned after a boom to a level as low as that from which they rose - in 1900 the index fell to 79, 9 points below the pre-boom figure in 1888. All other

# PRICE OF GOLD



periods show a constant upward trend. In 1863, rentals stood at 59 on our index. During the greenback inflation they rose to 132 but in the great depression of the seventies which followed, they dropped to only 88, a net gain of 49%. In the real estate boom of the early nineteen hundreds, rentals advanced from 79 to 121 but after the boom collapsed, they did not fall below 93. In the last boom rentals rose from 97 in 1916 to a peak of 228 in 1924. The tremendous liquidation of the present depression has carried them back to 116. This is approximately 20% above the pre-boom figure. This upward trend in rentals is indicated roughly on the chart by the line AB. Undoubtedly much of the upward lift of this line is due to the fact that the quality of dwelling has changed much during the past eighty years. In the fifties, a house without plumbing, heating or lighting and with no garage, did not represent as large an investment as does a model home of today. The general periods in which these improvements came into general use are indicated along the bottom of the chart.

Now let us forget rentals for a minute and turn to the monetary situation. The black line showing the price of gold per ounce in dollars is read on the scale to the right. It has remained at the same level of \$20.67 an ounce for sixty-seven



ood at 59 on our index. a great depression of the ain of 49%. In the real d from 79 to 121 but af- e last boom rentals rose quidation of the present tely 20% above the pre- ghly on the chart by the is due to the fact that hty years. In the fif- th no garage, did not re- ay. The general periods ated along the bottom of

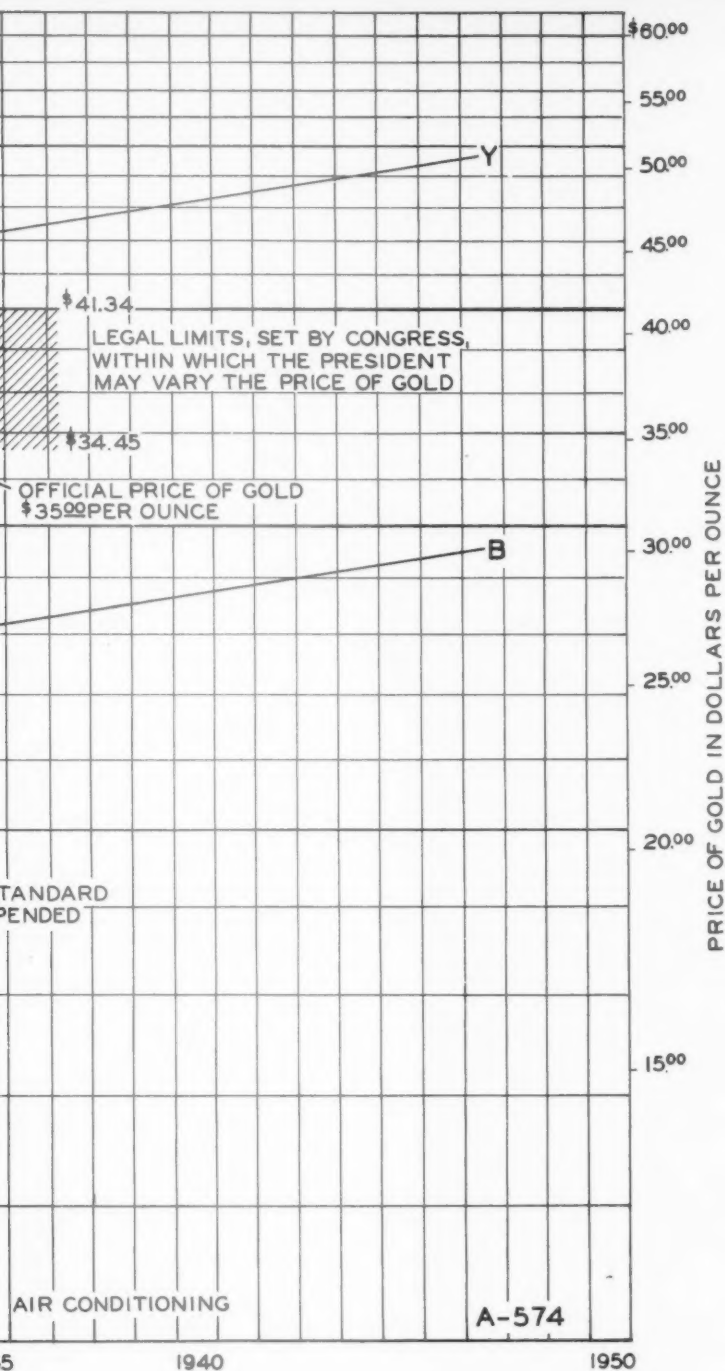
the monetary situation. ars is read on the scale an ounce for sixty-seven

of the eighty-four years. During th- ended and the market price of gold time as much as \$42.00 an ounce. On- turned to the gold standard at the o- time during this sixteen-year period the government to revalue the dollar

From the standpoint of the quite interesting to note the effect- ing this Civil War period on rentals- centage than the price of gold but- rentals reached the peak, the market- slightly above the old official leve-

From 1879 to 1933, the of- mained constant at \$20.67. From 18- change other than the increases and- or surpluses of living quarters.





During the Civil War the gold standard was suspended and the price of gold in dollars went up, reaching at one point \$150.00 an ounce. On January 1, 1879, the United States returned to the old figure of \$20.67 an ounce. At no other time in our history was there any attempt on the part of Congress to change the value of the dollar.

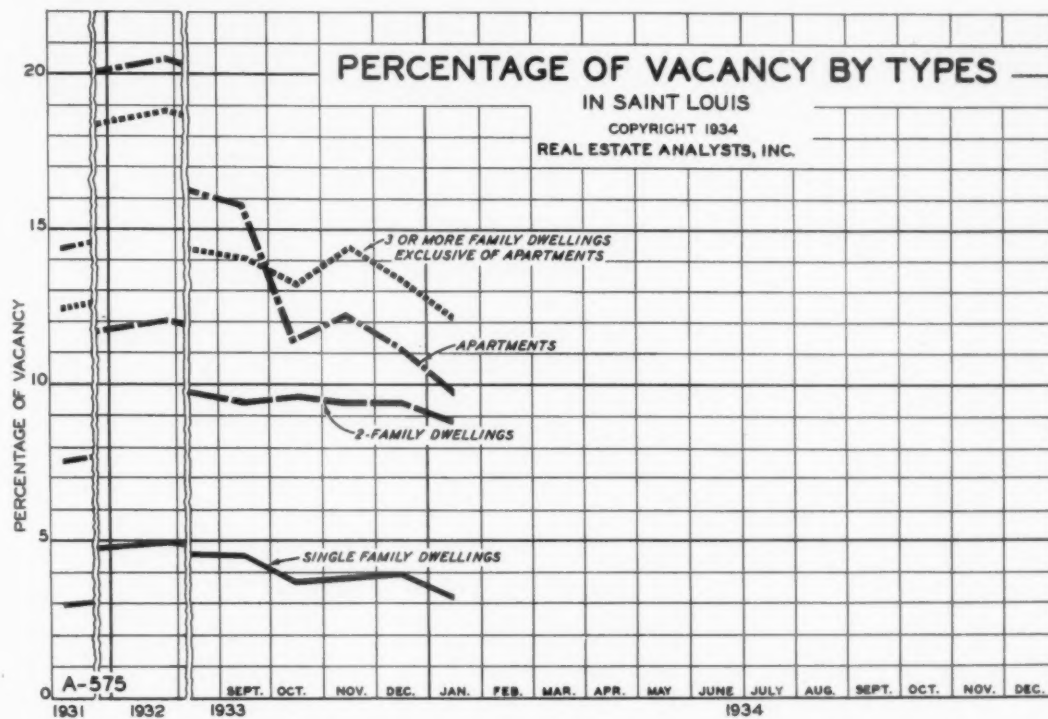
From the point of view of the man interested in real estate, it is the effect of the increased price for gold during the war on rentals. Rentals advanced by a larger percentage than the price of gold but the advance came slower. By the time the market price of gold had dropped to a point below the official level.

3, the official price of gold in dollars remained at \$20.67. From 1879 to 1919, rentals showed no radical increases and decreases brought about by shortages of housing. However, in 1919 rentals started sky-rocketing.

(continued on Page 238)







The chart above shows the percentage of vacancy as determined by the annual vacancy surveys of 1931 and 1932 in comparison with the monthly estimates of vacancy based on a complete check of seven representative sections of the city. Both the annual surveys and the monthly checks were supervised by Real Estate Analysts, Inc.

At the present time a new survey is being made with CWA workers which will give a house-by-house report on every building in the city. As we also have the general supervision of this survey, the figures should be comparable with those of previous annual surveys. The tabulation of these figures will not be completed for several months.



## THE 59-CENT DOLLAR AND REAL ESTATE (continued from Page 236)

rocketing. Rentals were not alone in this movement. Wholesale commodity prices had started up four years before. During the World War, the gold base for money had proved totally inadequate. Europe left the gold standard and used her gold in the purchase of munitions, largely from the United States and it, in turn, financed Europe during and after the war with huge loans. The effect, both in Europe and America, was a tremendous inflation. In spite of the fact that in the United States, at least, we were still theoretically on a gold standard, prices and rents behaved very much as they did on the greenback basis during the Civil War. As the inflation subsided, rentals and prices dropped back, not only to the trend line but to a position considerably below. The severity of the present depression would naturally bring this about.

We believe that if the dollar had not been revalued, rentals would drop considerably farther, then gradually recover and oscillate above and below the trend line AB shown on the chart. Rentals permanently on this level would require a continued liquidation of real estate. Our pessimism prior to last March was based on these facts. As soon as revaluation seemed certain, we turned optimistic.

### HOW WILL THIS AFFECT RENTALS?

It seems to us that the best answer to this question can be gotten after studying the relationship of the price of gold to rentals during the period of our chart. While we are not so naive as to suppose that the only factor affecting rentals or the general price level is the number of grains of gold in the dollar, still we are confident that, the other factors remaining constant, the halving of the gold content of the dollar would tend to double prices within a reasonable time. Putting it in another way, the rental trend line on our chart could be likened to a strand of rubber, stretched between two points, A and B. Various forces in the different years have pulled up or down on this trend. If a housing shortage developed, the unusual demand for space in that year pulled the line higher than it would have been otherwise. The repercussions of the depression of the nineties, with the resulting contraction of space requirements, pulled the line considerably lower at that time. In the 1919-1929 period, two forces were pulling the line up; first, a very real shortage of houses and, second, the tremendous credit inflation referred to above, which exerted such a tremendous pull that many people believed that the rubber strand had been permanently stretched, had lost its elasticity and would not return to its former level. By 1929, the forces which had been exerting the upward pull had lost their potency and, much to the surprise of those who had confidently proclaimed that the greater efficiency with which gold was used had permanently raised the price level, prices and rentals dropped to pre-war gold trends.

We believe that the new official price of gold of \$35.00 an ounce will raise the rental trend line to the new position indicated by the XY line on the chart. By this we do not mean that rentals will immediately rise to this level. In fact, we will be rather surprised if they show much resilience this year. We do mean however, that our rubber trend line is now stretched between the points X and Y and that it is exerting a tremendous pull upward on rentals at the present level. This pull will bring rentals to the new level and probably past it as soon as the bulk of space has been absorbed, and with the increase in rentals will come an increase in values. During the first four years of the depression, the tension was constantly pulling rentals downward. Now the revalued dollar is exerting as great a pull upward.

We are told by skeptics that rentals, at anything like the levels we suggested, are impossible as people who cannot meet present rentals certainly could not meet rentals at such heights. Had the Real Estate Analyst been in existence at the end of the big real estate depression of the nineties and had forecast an increase in rentals of more than 50% in the next few years, many people would have thought us guilty of wishful thinking, and yet the increase exceeded this. If the Real Estate Analyst had been published right after the World War and had said that rentals would double, our clients would have said we were crazy, yet in the next few years they more than doubled. The greatest fallacy in appraisal, as in life, is capitalizing the present as a perpetuity. There is far more reason now to believe that rentals will double than there was in 1918.

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## **THE CONSTRUCTION CODE** (Continued from Page 233)

envelope on the outside of which shall appear its identification as a bid for the particular job.

### Section 8. -No Influencing of Bidders.

The awarding authority shall not at any time prior to the specified time for the receipt of bids convey to any bidder information relating to the price or terms of any other bid in order to influence the price or terms of such bidder.

### Section 9. -Collusion Prohibited.

There shall be no collusion between the awarding authority and any bidder, nor between the different bidders in the preparation of any bid. The awarding authority shall not use any bid which is so unduly low as to indicate an error or mistake in estimating without first giving the bidder the opportunity of demonstrating by cost sheets or other methods the correctness of the bid that he has submitted.

### Section 10. -Time Limit on Awards.

The awarding authority shall make an award or reject all bids for the principal contract with the owner within twenty (20) days after the stipulated time for the receiving of bids except where an extension of time has been requested from the bidders and has been consented to by two or more bidders. In the case of bids conditioned upon the award of a previous contract, each succeeding awarding authority shall make an award or reject all bids within thirty (30) days after the award of such previous contract except as to such bidders as shall agree to an extension of time. The right to reject any or all bids may be reserved by the awarding authority, and such rejection shall be made in writing. Where all bids are rejected, bids shall not be again invited or submitted for the mere purpose of obtaining a lower or revised price or prices for substantially the same work previous to the elapse of ninety (90) days from the date of such rejection, except there be a substantial change in the plans and/or specifications, or except there be evidence of collusion, or except there be such a marked difference between the bids submitted and the awarding authority's estimate as to the valuation of the work as would indicate to the awarding authority and his Code Authority the necessity of new bids in order to secure fair competition.

### Section 11. -Naming of Subcontractors.

Before making an award the awarding authority may require any bidder to name the subcontractors whom such bidder intends to employ for the various divisions of the work bid upon.

### Section 12. -Rebates, Refunds and Discounts.

The awarding authority shall not accept rebates, refunds, discounts, or other special allowances or services from a bidder unless included by the bidder in his original bid.

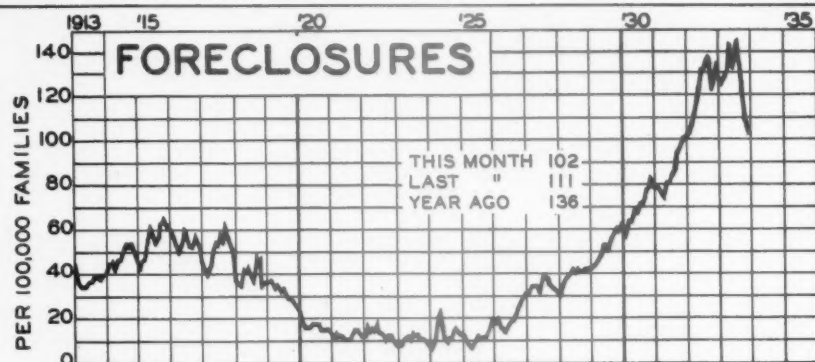
### Section 13. -Owners' Compliance.

The various divisions and subdivisions of the industry may provide in the chapters specifically applicable to such divisions or subdivisions, that members of the division or subdivision shall not submit a competitive bid, as defined in Section 1 (a) of this Article, to an owner or any other person, corresponding to an awarding authority as herein defined unless such owner or other person agrees to comply with the regulations provided herein governing an awarding authority.

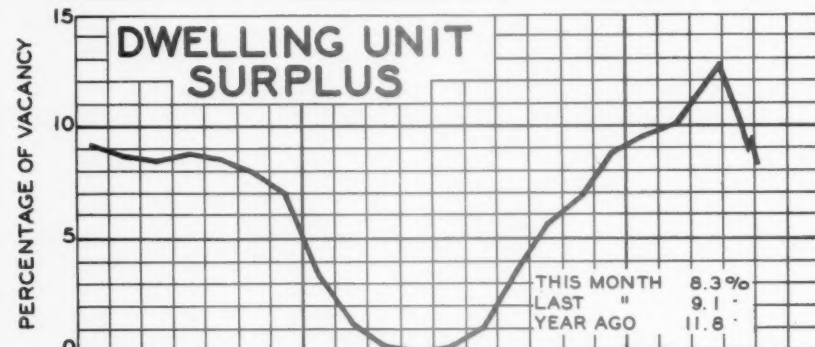
### Section 14. -Checking Bids.

In order to enforce the practice of fair competitive bidding, the Divisional Code Authorities shall provide, if no such method is provided in the chapter applicable to such division, a method satisfactory to the Construction Code Authority for checking bids submitted by members of such division either by designating a depository for the filing of duplicate bids or by some other acceptable method. The Construction Code Authority may require such changes in any such method as may be necessary to prevent conflict between the various methods which may be adopted by the various Divisional Code Authorities.





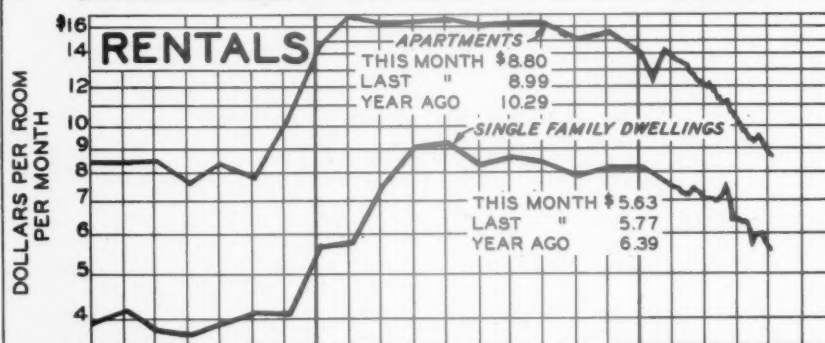
**F**ORECLOSURES have dropped more than 30% since the peak four months ago. They are now lower than they have been any month in the last two years. During the next two years we expect them to fall at least as rapidly as they rose in the 1930-33 period.



**V**ACANCY continued its downward course during the month. The percentage of vacancy in Saint Louis for February, as determined by the monthly vacancy survey of Real Estate Analysts, Inc., dropped from 9.1 to 8.3, an absorption of 8.8% of our vacancy in a single month.

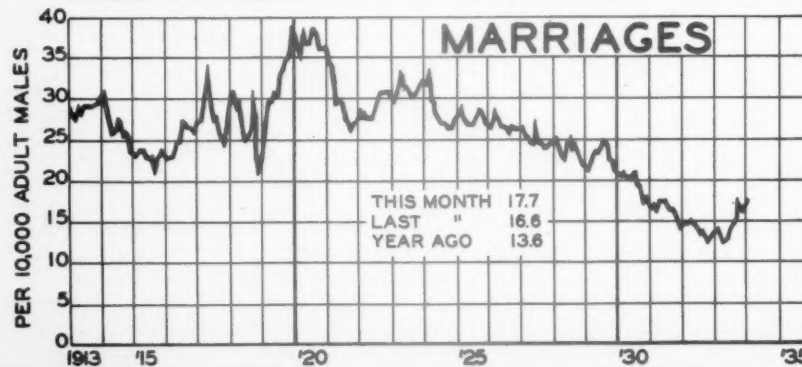


**N**EW residential building will remain at minimum levels this year. Slum clearance projects, financed with government money, may develop some sharp peaks on the line, which will immediately fall back to its previous level.



**APARTMENT RENTALS:**  
Drop during the month..... 2.1%  
Drop in the last 12 months....14.5%  
Drop from the peak in 1922....47.1%

**SINGLE FAMILY RESIDENCE RENTALS:**  
Drop during the month..... 2.4%  
Drop in the last 12 months....11.9%  
Drop from the peak in 1924....38.8%



**T**HE marriage rate during January was 42% higher than it was last April. It is still, however, 38.8% below the long term normal. Marriages dissolved by death or divorce exceeded new marriages by 276 during the month. We believe that within the next few years, marriages will again exceed dissolution by a sizeable amount.